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16 *Attorneys for Defendant Coinbase Global Inc.*

17  
18 **UNITED STATES DISTRICT COURT**  
19 **NORTHERN DISTRICT OF CALIFORNIA**  
20 **SAN FRANCISCO DIVISION**  
21

22 BIT GLOBAL DIGITAL LIMITED,

23 Plaintiff,

24 v.

25 COINBASE GLOBAL INC.,

26 Defendant.

Case No. 3:24-cv-09019-AMO

**DECLARATION OF COURT HILLMAN  
IN SUPPORT OF COINBASE'S  
OPPOSITION TO *EX PARTE*  
EMERGENCY MOTION FOR  
TEMPORARY RESTRAINING ORDER  
AND PRELIMINARY INJUNCTION**

1  
2 I, Court Hillman, declare as follows:

3 1. I am a Director of Financial Crimes Compliance at Coinbase Global Inc. In that  
4 capacity, I work with Coinbase's Digital Assets Support Groups ("DASGs"). My current role at  
5 Coinbase is to oversee two teams within Financial Crimes Compliance: Product & Asset Advisory  
6 and Special Investigations. Previously, I held the role of Bank Secrecy Act Officer until July 2023.  
7 Based on my experience in those positions, and my review of Coinbase's internal documents and  
8 data, I have personal knowledge of the facts set forth below.

9 **I. Coinbase's Process for Reviewing Applications to List on Its Exchange**

10 2. Coinbase operates a cryptocurrency exchange that currently provides customers  
11 access to over 270 digital assets, including Bitcoin and Ethereum.

12 3. Although Coinbase's exchange is one of the largest U.S.-based cryptocurrency  
13 exchanges, it faces robust competition from numerous other exchanges. I understand my  
14 colleague, Dan Kim, is submitting a declaration that provides more background on cryptocurrency  
15 and digital assets, Coinbase as a company, and Coinbase's exchange, so I do not detail all of that  
16 here.

17 4. As part of my role as Director of Financial Crimes Compliance, I work with  
18 Coinbase's DASGs. Coinbase's Global DASG governs trading asset support decisions for  
19 Coinbase across the world, via Coinbase's Digital Asset Support Policy. Certain jurisdictions have  
20 their own localized processes.

21 5. To protect our customers and our brand, as well as to comply with Coinbase's  
22 existing licenses to operate in various jurisdictions and to obtain future approvals from  
23 international regulatory bodies, Coinbase maintains a robust vetting process for crypto assets to  
24 prevent fraudulent, illicit, or otherwise unsafe digital assets from being listed on the exchange.  
25 Digital assets, like any currency or financial instrument, come with risks of fraud or misuse by bad  
26  
27

actors. Coinbase’s rigorous process for vetting assets is thus a critical component of the company’s business model because Coinbase has built its brand as “the most trusted crypto platform.”<sup>1</sup>

6. Coinbase has earned a reputation as a reliable and secure platform. To create an account, a user must be at least 18 years old and have a government-issued photo ID, among other requirements. Coinbase Global, Inc., which owns Coinbase, is a public company that publishes quarterly financial statements and is audited annually by Deloitte & Touche LLP. It is required to comply with many financial services and consumer protection laws and regulations, including the Bank Secrecy Act and the USA PATRIOT Act. Coinbase is also registered as a Money Services Business with FinCEN, a bureau within the U.S. Department of the Treasury that tracks and analyzes financial transactions to combat financial crimes.

7. Having a reputation for reliability and security is critical to Coinbase’s business. As with any exchange of assets, be it a stock exchange, commodity exchange, or currency exchange, individuals and entities may prefer to use those exchanges they believe will promote honest trading and have appropriate vetting of offerings. Coinbase brands itself as the “Most Trusted Crypto Exchange,” and our teams work hard to live up to that standard. As one part of that, Coinbase has established a strong compliance foundation as critical to Coinbase’s goal to be the most trusted crypto platform. As we publicly communicate to our customers and the crypto community more broadly, we have developed a compliance program that is rooted in regulatory requirements, best practices from traditional financial services, as well as innovative, sophisticated compliance technology to bring the crypto industry forward. We hold a high standard for what assets we list and what services we provide. Our compliance framework includes a Know-your-customer (KYC) verification process and robust internal compliance controls. We employ teams of lawyers, technologists, and financial services industry veterans (and have made substantial

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<sup>1</sup> “Enhancing Trust with Regulatory compliance,” COINBASE (last accessed Dec. 17, 2024), <https://help.coinbase.com/en/coinbase/other-topics/legal-policies/enhancing-trust-with-regulatory-compliance>; “Recent Data Shows Coinbase is the Most Trusted Name in Crypto,” COINBASE (June 1, 2023), <https://www.coinbase.com/blog/recent-data-shows-coinbase-is-the-most-trusted-name-in-crypto>.

1 financial investment) to evaluate assets on Coinbase’s exchange and to apply their decades of  
 2 experience to make judgments about how best to maintain the integrity of our platform.

3 8. We describe our asset listing process publicly so that, among other reasons, entities  
 4 that wish to list their assets on Coinbase’s exchange can understand the requirements and process:  
 5 <https://www.coinbase.com/listings> (“How does Coinbase review assets.”);  
 6 <https://www.coinbase.com/exchange/asset-listings>. True and correct copies of those webpages are  
 7 attached as Exhibit A and B, respectively.<sup>2</sup> As explained there, assets must be reviewed and  
 8 approved by DASG in order to be eligible for listing. To conduct its review, Coinbase will evaluate  
 9 an asset based on standardized legal, compliance, and technical security standards. The vetting  
 10 process at this stage includes an analysis of the asset, issuer, and key team for compliance risks  
 11 (e.g. sanctions, money laundering and illicit finance risks, as well as consumer and market risks)  
 12 that is designed in significant part to protect Coinbase customers from fraudulent or unsafe crypto  
 13 products.

14 9. Following this vetting process, DASG decides whether to approve an asset for  
 15 listing on Coinbase’s exchange. Only after an asset is approved by DASG can it be listed on  
 16 Coinbase’s exchange. The DASG process has been in place since at least early 2020. Historically,  
 17 approximately 90% of assets reviewed by Coinbase have not met Coinbase’s listing standards.<sup>3</sup>

18 10. In addition to obtaining DASG approval, in evaluating whether to list an asset for  
 19 trading, Coinbase will review the asset to assess whether there is a business justification for listing  
 20 the asset. This assessment looks to quantitative and qualitative business metrics such as trading  
 21 volume, market cap, traction of the token (i.e. the number of token holders), anticipated liquidity,  
 22 history of key project contributors, how the token will be distributed, the quality of the project and  
 23 key contributors, and availability of resources to support the listing.

25 <sup>2</sup> We have also included information about our listings process on our website since at least 2022: “Asset Listings  
 26 Process,” COINBASE (Oct. 2022),  
 27 <https://web.archive.org/web/20221020205730/https://www.coinbase.com/exchange/asset-listings>.

<sup>3</sup> Kim, Dan, “How Coinbase Protects Users From Risky Assets,” Coinbase (Sept. 2, 2022),  
<https://www.coinbase.com/blog/how-coinbase-protects-users-from-risky-assets>.

## II. Ongoing Monitoring of Assets Listed on Coinbase's Exchange

11. As explained on our website (*see* Exhibits A and B), Coinbase conducts ongoing monitoring of assets listed on Coinbase's exchange to ensure they continue to meet our listing standards. We also published a blog post discussing our ongoing compliance monitoring including trigger events that could result in review and potentially delisting: <https://www.coinbase.com/blog/how-coinbase-monitors-tokens-we-list-for-ongoing-compliance>.

A true and correct screenshot of the blog post is attached as Exhibit C. Coinbase regularly monitors market intelligence alerts and updates from crypto research firms for "trigger events" that could negatively impact a crypto project. Trigger events may include attacks or discovered bugs in the software, major protocol changes for that crypto asset, or changes to an asset issuer's strategy, leadership, or ownership. Information about an issuer's leadership and ownership is especially important in the case of wrapped assets (which I understand Mr. Kim is explaining in greater detail in his declaration) because the owner of the wrapped Bitcoin is relying on the asset issuer and/or custodian to unwrap the token and give them back the underlying Bitcoin when they ask for it. In other words, Coinbase is committed to protecting its customers by ensuring that all assets continue to meet the same review standards, even after listing.

12. Each of Coinbase's legal, compliance, and blockchain security teams monitor for trigger events. As potentially relevant events occur, the team to which the corresponding event is relevant makes a determination on whether the event warrants further due diligence. In the case of an event that implicates Coinbase's compliance review standards, for instance, Coinbase's compliance team will investigate and conduct further due diligence by analyzing open-source materials and requesting further information from the asset issuer where needed. If the compliance team deems the event sufficiently material to Coinbase's ongoing support for the asset, the compliance team will re-review the asset and submit the review to DASG for further decisioning.

13. When re-reviewing an asset that is already listed on Coinbase's exchange, Coinbase will consider a number of factors, including but not limited to:

- a. Whether the asset no longer meets the legal, compliance and/or technical security standards required for listing;
- b. Whether the issuer has discontinued or deprioritized the asset;
- c. Failure to comply with any agreement with Coinbase;
- d. Whether issuers engage in conduct that is contrary to public interest;
- e. Failure to respond to due diligence requests from Coinbase; and
- f. Trading volume and liquidity of market for that asset on Coinbase's exchange.

14. As our website explains, failure to maintain compliance with the listing standards may result in an asset's delisting from Coinbase's exchange. *See, e.g.,* Ex. C. As we said expressly there, "[m]aterial changes to our understanding of a project or token can result in a delisting." *Id.*

### **III. Coinbase Approves wBTC in 2020 with BitGo as the Issuer**

15. In July 2020, BitGo, a digital asset trust company and security company headquartered in Palo Alto, California, completed an Asset Addition Questionnaire to apply to be listed on Coinbase's exchange. BitGo would be the sole custodian of the keys to unwrap wBTC to access the underlying Bitcoin. BitGo answered a long list of legal, compliance, and technical security questions. Between July and early October, Coinbase conducted legal, compliance and technical security reviews on wBTC.

16. In October 2020, Coinbase's Global DASG approved wBTC for listing after determining that the asset satisfied Coinbase's listing standards. That same month, wBTC was listed on Coinbase's exchange and it remained on the exchange for nearly four years without incident.

### **IV. BitGo Announces Business Relationship with Justin Sun, Triggering Reevaluation of wBTC's Compliance with Coinbase's Listing Standards**

17. In August 2024, BitGo announced a joint venture with BiT Global, a Hong Kong-based company affiliated with Justin Sun, and Mr. Sun's cryptocurrency platform, TRON. Going forward, BitGo would now hold only a minority stake in the joint venture, with the majority stake owned by BiT Global.



cryptocurrency has seen 60 times more redemptions than mints, a sign of decreased demand for the token. . . . This is a catastrophic reversal[.]); *id.* (reporting that COO of crypto investment firm Firinne Capital blamed wBTC’s August collapse on “declining trust” in wBTC); Oluwapelumi Adejumo, BitGo’s New WBTC Custody Plan Draws Scrutiny Over Justin Sun’s Role, BE(IN)CRYPTO (Aug. 11, 2024), <https://beincrypto.com/justin-suns-role-in-bitgos-wbtc-custody-fuels-fears/> (“The broader crypto community has echoed . . . concerns” about “Sun[’s] significant influence over WBTC.”). True and correct copies of these websites are attached hereto as Exhibits D and E, respectively. In fact, Mr. Sun himself recognized in an August 10, 2024 post on X that “Recently, I’ve heard that the community has some concerns about my involvement in various projects, including WBTC.” H.E. Justin Sun (@justinsuntron), X (Aug. 10, 2024, 4:33 PM), <https://tinyurl.com/mwasx9t9>. A true and correct copy of this post is attached hereto as Exhibit F.

23. BitGo’s own CEO, Mike Belshe, stated that Mr. Sun was to be “materially involved” in the joint venture, and that “[i]f his involvement is enough for you to not want to use WBTC then you should not use WBTC.” WBTC Changes and Risk Mitigation – 10 August 2024 – General Discussion – Sky Forum, available at <https://forum.sky.money/t/wbtc-changes-and-risk-mitigation-10-august-2024/24844/18>. A true and correct copy of this post is attached hereto as Exhibit G.

24. Not long after Mr. Belshe’s confirmation of Mr. Sun’s “material[] involve[ment],” the risk team at Sky (formerly known as MakerDAO) published a post on its forum stating that “it is highly likely that Justin Sun or affiliates control BitGlobal, with ownership concealed through shell companies and nominee directors,” and “recommended proceeding with an orderly offboarding of all WBTC collateral exposure . . . .” WBTC Update – 12 September 2024, available at <https://forum.sky.money/t/wbtc-changes-and-risk-mitigation-10-august-2024/24844/26>. A true and correct copy of this post is attached hereto as Exhibit H.



**V. The Connection to Justin Sun and His Potential Ability to Control the Bitcoin Backing wBTC Leads to Coinbase's Decision to Delist wBTC**

25. Throughout Coinbase's reevaluation of wBTC, BiT Global was evasive, and did not provide, even after multiple requests, answers to important questions about, among other things, the new joint venture's ownership structure. Despite BitGo's public representation that it, not BiT Global, retained access to and control of the underlying Bitcoin, Coinbase became concerned that BiT Global's majority share of the joint venture might enable Mr. Sun to obtain such control. Because BiT Global did not provide information to assuage these concerns, even after multiple requests that it do so, Coinbase could not confirm the extent to which Mr. Sun or his affiliates could gain control over the custodial Bitcoin supply underlying wBTC. And because Coinbase suspected (or at least could not rule out) that Mr. Sun now had significant influence and potentially control, Coinbase (like others in the crypto community) developed serious questions about the safety and reliability of wBTC, and concluded that the asset was no longer fit for listing on Coinbase's retail exchange. I describe the timeline of events below.

26. On September 10, 2024, members of DASG convened to review the Coinbase compliance team's review of BitGo's August 2024 announcement of the joint venture involving Mr. Sun. At this DASG meeting, attendees considered an immediate decision to delist wBTC, given the compliance concerns with Mr. Sun that led to the closure of Coinbase accounts associated with him in 2023 and the ongoing questions about Mr. Sun's involvement. The DASG meeting attendees decided to seek additional information from BitGo about the partnership structure with BiT Global and Mr. Sun's degree of ownership in and affiliation with BiT Global.

27. Accordingly, on September 12, 2024, Kyle Cotsones, a member of the Coinbase Listings Team emailed representatives of BitGo about BiT Global's directors and Ultimate Beneficial Owners (UBOs) and directors, and how the new joint venture would impact operations relating to wBTC, in order to understand the nature and scope of Mr. Sun's involvement with wBTC. On September 24, 2024, after hearing no response for 12 days, Mr. Cotsones followed up with BitGo. A true and correct copy of this email chain is attached hereto as Exhibit I.

28. On October 2, 2024, Thomas Chen (Managing Director of BitGo) responded to the Coinbase Listings Team's email, confirming that BiT Global "will assume the activities [that] BitGo ha[d] been performing" for wBTC, including minting and burning of wBTC, and that it will hold 1 of the 3 keys to wBTC's reserves. With respect to UBO and director information for BiT Global, Mr. Chen offered to introduce Mr. Cotsones to a contact at BiT Global. Mr. Cotsones responded that same day, with several follow-up questions about the responsibilities BiT Global will undertake with respect to wBTC. *See* Ex. I.

29. On October 9, 2024, after hearing no response from BitGo for another week, Mr. Cotsones followed up on the outstanding questions about the UBOs and director information for BiT Global and responsibilities of BiT Global would take on for operations of wBTC. Mr. Chen responded that day, confirming that BiT Global would be the new custodian for wBTC; however, he again noted that the questions about UBOs and directors of BiT Global would need to be addressed by BiT Global. *See* Ex. I.

30. On October 16, 2024, Mr. Chen introduced Mr. Cotsones to a representative of Bit Global, Maxwell Fu. On October 17, 2024, Mr. Fu provided the names of six entities that had ownership stake in BiT Global and the names of two directors: Zhihong Liu and Yiying Jiang. On October 24, 2024, Mr. Cotsones asked for the UBOs behind these entities. In response, Mr. Fu asserted that Justin Sun "is not involved in the shareholding structure [of BiT Global] directly or indirectly," but declined to provide the UBO information for those entities, asserting that he was "bound by confidentiality." Notwithstanding the substantial industry concern around Mr. Sun's involvement and Coinbase's repeated inquiries, BiT Global provided no information that assured Coinbase that Mr. Sun could not compromise wBTC's integrity. A true and correct copy of this email is attached hereto as Exhibit J.

31. On November 1, 2024, DASG reviewed the compliance team's findings regarding wBTC in light of the association with Justin Sun, and BiT Global's refusal to provide clear answers about the partnership's UBOs. In its evaluation, DASG also considered the fact that the two individuals who were named as directors for BiT Global—Mr. Liu and Ms. Jiang—as directors to

1 other entities with Mr. Sun. And as mentioned above, Coinbase had to close the account of a  
 2 company owned by Ms. Jiang but tied to Mr. Sun for violating Coinbase's Terms of Service. Ms.  
 3 Jiang's history as a proxy for Mr. Sun therefore exacerbated DASG's concerns about Mr. Sun's  
 4 involvement and BiT Global's evasiveness on the true identity of the UBOs. DASG therefore  
 5 concluded there was an unacceptable risk that Mr. Sun could misappropriate the Bitcoin reserves  
 6 for wBTC, which would create losses for Coinbase users who hold wBTC. Accordingly, DASG  
 7 voted to delist wBTC.

8 32. On November 19, 2024, Coinbase announced that wBTC would be delisted from  
 9 Coinbase's exchange in 30 days. The announcement explained that Coinbase "regularly  
 10 monitor[s] the assets on [its] exchanges to ensure they meet [Coinbase's] listing standards." The  
 11 announcement further explained: "Based on our most recent review, Coinbase will suspend trading  
 12 for wBTC (wBTC) on December 19, 2024 on or around 12 pm ET."

13 33. As a matter of practice, Coinbase does not provide any additional details about  
 14 specific delisting decisions. Coinbase generally announces on X (formerly Twitter) its decisions  
 15 to delist assets that have previously been approved to be listed on the Coinbase exchange to give  
 16 customers sufficient advance notice of the delisting. The 30-day notice gave customers an  
 17 opportunity to plan accordingly.

18 34. The decision to delist wBTC is by no means unique. Coinbase has previously  
 19 delisted other digital assets following a review and determination that these assets did not meet its  
 20 listing standards.

21 35. Digital assets that have been delisted recently following Coinbase's ongoing review  
 22 of whether assets meet its listing standards include:

- 23 a. BarnBridge, Multichain, and Ooki in September 2023;
- 24 b. Status Network in February 2024;
- 25 c. Unifi Protocol DAO in April 2024;
- 26 d. Decentralized Social in October 2024.

**VI. Allowing wBTC to Remain on the Exchange Would Prevent Coinbase from Protecting Consumers and May Undermine Long-term Public Confidence in Crypto Assets**

36. Listings standards are essential for protecting exchange participants, and to increase long-term public confidence in crypto assets. As with any other financial institution or exchange, there are bad actors who try to perpetuate fraudulent schemes, especially schemes that target individual users who are new to the industry. These concerns are not hypothetical. According to the FBI's 2023 Cryptocurrency Fraud Report, cryptocurrency fraud increased by 45% from 2022 to 2023, leading to \$5.6 billion in losses.<sup>5</sup>

37. Coinbase is one of the most trusted names in the industry in part because of its rigorous process of vetting crypto assets before listing them on the Coinbase exchange, and its ongoing monitoring of listed assets. If a crypto asset is allowed to continue operating on its exchange even after Coinbase has determined this asset poses too great a risk for consumers, the consumer confidence in other crypto assets listed on the exchange may also erode. By weeding out assets that create significant risk of harm to consumers, Coinbase benefits from providing a secure marketplace that benefits all market participants. If Coinbase is unable to exercise its own judgment to remove from its platform assets that do not meet its listing standards, malicious actors could take advantage, placing Coinbase's reputation and the financial well-being of its customers at risk.

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<sup>5</sup> "2023 Cryptocurrency Fraud Report Released," FBI (Sept. 10, 2024), <https://www.fbi.gov/news/stories/2023-cryptocurrency-fraud-report-released>.

1 I declare under penalty of perjury that the foregoing is true and correct, and that this declaration  
2 was executed on December 17, 2024, in Essex County, Massachusetts.

3  
4 /s/ Court Hillman  
Court Hillman  
5

6 **ATTORNEY ATTESTATION**  
7

8 I, Sonal N. Mehta, am the ECF User whose ID and password are being used to file the foregoing.  
9 In compliance with Civil Local Rule 5-1(i)(3), I hereby attest that concurrence in the filing of this  
10 document has been obtained from each signatory.

11  
12 By: /s/ Sonal N. Mehta  
Sonal N. Mehta  
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